

## Spin Master Reports Q2 2021 Financial Results

### Strong Revenue Growth Continues Across all Creative Centers Driving Record Profitability

TORONTO, Aug. 4, 2021 /CNW/ - Spin Master Corp. ("Spin Master" or the "Company") (TSX: TOY) ([www.spinmaster.com](http://www.spinmaster.com)), a leading global children's entertainment company, today announced its financial results for the three and six months ended June 30, 2021. The Company's full Management's Discussion and Analysis ("MD&A") for the three and six months ended June 30, 2021 is available under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) and posted on the Company's web site at [www.spinmaster.com/financial-info.php](http://www.spinmaster.com/financial-info.php).

"Our strong financial performance this quarter reflects our success in creating exceptional play experiences for children and their families across toys, entertainment and digital games," said Max Rangel, Spin Master's Global President and Chief Executive Officer. "By leveraging the strength of each creative center, we are differentiating Spin Master in the children's entertainment space. We are well positioned for the second half with an amazing toy line up, growth in our digital games franchises and the highly-anticipated release of PAW Patrol: The Movie, our first foray into feature films. Looking to the future, we are focused on adapting to the changing dynamics of play through innovation, customer-driven decision making, partnerships and a relentless drive to reimagine where imagination can take us, all while delivering profitable growth for our shareholders."

"We delivered very strong financial and operating performance this quarter," said Mark Segal, Spin Master's Chief Financial Officer. "Our revenue trajectory continued to strengthen, driven by accelerating momentum in our Digital Games and Entertainment creative centers, which drove margin expansion and we are raising our total revenue outlook for the year. We remain committed to our financial framework for value creation, underpinned by our formula for innovation and global growth across toys, entertainment, and digital games."

### Q2 2021 Financial Highlights as compared to the same period in 2020

- Total Revenue of US\$390.8 million increased by 39.0% from US\$281.1 million. In Constant Currency<sup>1</sup> terms, total revenue increased by 36.0%.
- Gross Product Sales<sup>1</sup> increased by 27.2% to US\$359.0 million from US\$282.2 million, primarily driven by higher sales in Preschool & Girls and Boy. In Constant Currency<sup>1</sup> terms, Gross Product Sales<sup>1</sup> increased by 24.9%.
- Gross Product Sales<sup>1</sup> increased by 58.2% in Rest of World, 23.7% in Europe and 23.7% in North America. International Gross Product Sales<sup>1</sup> were 29.7% of total Gross Product Sales<sup>1</sup>, compared to 27.7%.
- Other Revenue grew by US\$35.9 million or 126.0% to US\$64.4 million, driven by higher digital games revenue and entertainment and licensing revenue.
- Digital Games revenue increased by US\$26.7 million or 261.8% to US\$36.9 million, driven by growth in *Toca Life World* and the *Sago Mini* subscription user base.
- Entertainment and Licensing revenue was US\$9.2 million or 50.3% higher at US\$27.4 million.
- Sales Allowances<sup>1</sup> increased by US\$3.0 million to US\$32.6 million. As a percentage of Gross Product Sales<sup>1</sup>, Sales Allowances<sup>1</sup> decreased by 1.4% to 9.1% from 10.5%, primarily driven by lower markdowns, promotions and non-compliance charges.
- Gross profit was US\$209.9 million, representing 53.7% of total revenue, compared to US\$118.2 million or 42.0% in the prior year. The improvement in gross margin was primarily due to cost reductions resulting from the Company's operational improvement initiatives and changes in product mix. In addition, gross profit as a percentage of total revenue benefited from lower closeout sales, scrap and obsolescence, reconfiguration, lower Sales Allowances<sup>1</sup>, higher Digital Games revenue and higher Entertainment and Licensing revenue, partially offset by higher freight-related expenses.
- Selling, general and administrative expenses ("SG&A")<sup>2</sup> decreased as a percentage of total revenue to 38.2% compared to 40.8%, primarily from lower distribution expenses, partially offset by higher marketing and selling expenses.
- Net income was US\$33.5 million or earnings per share of US\$0.32 (diluted) compared to a net loss of US\$(14.9) million or loss per share of US\$(0.15).
- Adjusted Net Income<sup>1</sup> was US\$41.6 million or Adjusted Diluted EPS<sup>1</sup> of US\$0.40, compared to an Adjusted Net Loss<sup>1</sup> of US\$(9.5) million or Adjusted Basic EPS<sup>1</sup> of US\$(0.09).
- Adjusted EBITDA<sup>1</sup> was US\$81.8 million compared to US\$21.5 million. Adjusted EBITDA Margin<sup>1</sup> was 20.9% compared to 7.6%.
- Cash provided by operating activities was \$94.2 million compared to cash provided by operating activities of US\$64.2 million, primarily driven by higher EBITDA<sup>1</sup>.
- Free Cash Flow<sup>1</sup> was US\$69.0 million compared to US\$40.2 million, driven by higher cash flows from operating activities, offset in part by higher cash flows used in investing activities.
- During the quarter, the Company acquired Originator Inc., a San Francisco based developer and publisher of education focused mobile apps for kids and families. This acquisition will compliment Sago Mini's edutainment digital games offering. In addition, we completed the previously disclosed acquisition of certain assets of a toy product invention and development company. In conjunction with this acquisition, the principals and employees joined the Spin Master team and will complement our toy innovation and development capabilities. To date, the Company has completed three acquisitions in 2021.

| Q2 2021 Gross Product Sales <sup>1</sup> by Product Category (US\$ millions) <sup>3</sup> |                |                |                |                |
|-------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                                           | Q2 2021        | Q2 2020        | \$ Change      | % Change       |
| Preschool & Girls                                                                         | \$149.6        | \$93.5         | \$56.1         | 60.0 %         |
| Activities, Games & Puzzles and Plush                                                     | \$98.0         | \$99.8         | \$(1.8)        | (1.8) %        |
| Boys                                                                                      | \$77.7         | \$54.1         | \$23.6         | 43.6 %         |
| Outdoor                                                                                   | \$33.7         | \$34.8         | \$(1.1)        | (3.2) %        |
| <b>Gross Product Sales<sup>1, 4</sup></b>                                                 | <b>\$359.0</b> | <b>\$282.2</b> | <b>\$76.8</b>  | <b>27.2 %</b>  |
| Sales Allowances <sup>1</sup>                                                             | \$(32.6)       | \$(29.6)       | \$(3.0)        | 10.1 %         |
| <b>Net Sales<sup>1</sup></b>                                                              | <b>\$326.4</b> | <b>\$252.6</b> | <b>\$73.8</b>  | <b>29.2 %</b>  |
| Entertainment and Licensing revenue                                                       | \$27.5         | \$18.3         | \$9.2          | 50.3 %         |
| Digital Games revenue                                                                     | \$36.9         | \$10.2         | \$26.7         | 261.8 %        |
| <b>Other Revenue</b>                                                                      | <b>\$64.4</b>  | <b>\$28.5</b>  | <b>\$35.9</b>  | <b>126.0 %</b> |
| <b>Total Revenue</b>                                                                      | <b>\$390.8</b> | <b>\$281.1</b> | <b>\$109.7</b> | <b>39.0 %</b>  |

<sup>3</sup> Effective January 1, 2021, Spin Master has simplified its product categories to align with the Company's product offerings going forward. Prior year comparative information has been updated to conform with the current disclosure.

<sup>4</sup> A total of \$4.6 million related to Rubik's is included in Gross Product Sales in Q2 2021.

## **Q2 2021 Gross Product Sales<sup>1</sup> by Product Category as compared to the same period in 2020**

Gross Product Sales<sup>1</sup> were US\$359.0 million, an increase of US\$76.8 million or 27.2%. Excluding the impact of foreign exchange, Gross Product Sales<sup>1</sup> increased by \$70.3 million or 24.9% to \$352.9 million. The increase was driven by Preschool & Girls and Boys.

Gross Product Sales<sup>1</sup> in Preschool & Girls increased by US\$56.1 million or 60.0% to US\$149.6 million. The increase was driven primarily by sales of *PAW Patrol*, in addition to *Gabby's Dollhouse* and *Present Pets*, offset in part by declines in *Twisty Petz*.

Gross Product Sales<sup>1</sup> in Activities, Games & Puzzles and Plush decreased by US\$1.8 million or 1.8% to US\$98.0 million. The decline was driven primarily by the Games & Puzzles portfolio, offset in part by sales of *Rubik's*<sup>4</sup>, *Inkfluencer*, *GUND* and *Orbeez*.

Gross Product Sales<sup>1</sup> in Boys increased by US\$23.6 million or 43.6% to US\$77.7 million. The increase was primarily driven by sales of *Bakugan*, *Tech Deck* and *Monster Jam RC*, partially offset by declines in *DreamWorks Dragons*.

Gross Product Sales<sup>1</sup> in Outdoor decreased by US\$1.1 million or 3.2% to US\$33.7 million.

## **Financial Highlights for Six Months Ended June 30, 2021 as compared to the same period in 2020**

- Total Revenue of US\$707.4 million increased by 39.1% from US\$508.4 million. In Constant Currency<sup>1</sup> terms, total revenue increased by 36.3%.
- Gross Product Sales<sup>1</sup> increased by US\$129.2 million or 24.6% to US\$653.7 million. In Constant Currency<sup>1</sup> terms, Gross Product Sales<sup>1</sup> increased by 22.6%.
- Gross Product Sales<sup>1</sup> increased by 52.0% in Rest of World, increased by 22.2% in Europe and 21.3% in North America, respectively. International Gross Product Sales<sup>1</sup> represented 35.3% of total Gross Product Sales<sup>1</sup> compared to 33.5%.
- Other revenue increased by US\$75.0 million or 148.8% to US\$125.4 million, driven by higher digital games revenue and entertainment and licensing revenue.
- Digital games revenue increased by US\$53.9 million or 315.2% to US\$71.0 million, primarily driven by higher in-game purchases in *Toca Life World* and growth in the *Sago Mini* subscription user base.
- Entertainment and licensing revenue increased by US\$21.1 million or 63.4% to US\$54.3 million driven by higher Distribution and Licensing and Merchandising revenue.
- Sales Allowances<sup>1</sup> increased by US\$5.2 million to US\$71.7 million. As a percentage of Gross Product Sales<sup>1</sup>, Sales Allowances were 11.0% compared to 12.7%, primarily driven by lower markdowns, promotions and non-compliance charges.
- Gross profit increased to US\$367.3 million, representing 51.9% of total revenue compared to US\$209.0 million or 41.1% of total revenue. The improvement in gross margin was primarily due to cost reductions resulting from the Company's operational improvement initiatives and changes in product mix. In addition, gross profit as a percentage of total revenue benefited from lower closeout sales, scrap and obsolescence, reconfiguration, lower Sales Allowances<sup>1</sup>, higher Digital Games revenue and higher Entertainment and Licensing revenue.
- SG&A<sup>2</sup> decreased as a percentage of total revenue to 40.7% compared to 51.4%, primarily from lower distribution and administrative expenses.
- Net income was US\$36.7 million or earnings per share of US\$0.35 (diluted), compared to net loss of US\$(41.6) million or loss per share of US\$(0.41).
- Adjusted Net Income<sup>1</sup> was US\$50.0 million or Adjusted Diluted EPS<sup>1</sup> of US\$0.48, compared to Adjusted Net Loss of \$56.3 million or loss per share of US\$(0.55).
- Adjusted EBITDA<sup>1</sup> was US\$118.5 million compared to negative US\$10.8 million. Adjusted EBITDA Margin<sup>1</sup> was 16.8% compared to negative 2.1%.
- Cash provided by operating activities were US\$103.2 million compared to US\$55.4 million.
- Free Cash Flow<sup>1</sup> was US\$62.5 million compared to US\$12.4 million.
- On January 4, 2021, the Company completed the acquisition of Rubik's Brand Limited. Rubik's is reported in the Activities, Games & Puzzles and Plush product category.

| <b>Six Months Ended June 30, 2021 Gross Product Sales<sup>1</sup> by Product Category<sup>5</sup> (US\$ millions)</b> |                |                |                  |                 |
|-----------------------------------------------------------------------------------------------------------------------|----------------|----------------|------------------|-----------------|
|                                                                                                                       | <b>2021</b>    | <b>2020</b>    | <b>\$ Change</b> | <b>% Change</b> |
| Preschool & Girls                                                                                                     | \$246.8        | \$166.6        | \$80.2           | 48.1 %          |
| Activities, Games & Puzzles and Plush                                                                                 | \$185.5        | \$179.9        | \$5.6            | 3.1 %           |
| Boys                                                                                                                  | \$145.7        | \$114.8        | \$30.9           | 26.9 %          |
| Outdoor                                                                                                               | \$75.7         | \$63.2         | \$12.5           | 19.8 %          |
| <b>Gross Product Sales<sup>1, 6</sup></b>                                                                             | <b>\$653.7</b> | <b>\$524.5</b> | <b>\$129.2</b>   | <b>24.6 %</b>   |
| Sales Allowances <sup>1</sup>                                                                                         | \$(71.7)       | \$(66.5)       | \$(5.2)          | 7.8 %           |
| <b>Net Sales<sup>1</sup></b>                                                                                          | <b>\$582.0</b> | <b>\$458.0</b> | <b>\$124.0</b>   | <b>27.1 %</b>   |
| Entertainment and Licensing revenue                                                                                   | \$54.4         | \$33.3         | \$21.1           | 63.4 %          |
| Digital games revenue                                                                                                 | \$71.0         | \$17.1         | \$53.9           | 315.2 %         |
| <b>Other revenue</b>                                                                                                  | <b>\$125.4</b> | <b>\$50.4</b>  | <b>\$103.5</b>   | <b>473.2 %</b>  |
| <b>Total revenue</b>                                                                                                  | <b>\$707.4</b> | <b>\$508.4</b> | <b>\$199.0</b>   | <b>39.1 %</b>   |

<sup>5</sup> Effective January 1, 2021, Spin Master will be simplifying its product categories to better align with the Company's product offerings moving forward. Refer to the Addendum for additional information.

<sup>6</sup> A total of \$7.1 million related to Rubik's is included in Gross Product Sales in 2021.

## **Six Months Ended June 30, 2021 Product Category Gross Product Sales<sup>1</sup> as compared to the same period in 2020**

Gross Product Sales<sup>1</sup> were US\$653.7 million, an increase of US\$129.2 million or 24.6%. Excluding the impact of foreign exchange, Gross Product Sales<sup>1</sup> increased by \$118.6 million or 22.6% to \$643.5 million. The increase was driven by Preschool & Girls, Boys and Outdoor.

Gross Product Sales<sup>1</sup> in Preschool & Girls increased by US\$80.2 million or 48.1% to US\$246.8 million, primarily driven by higher sales of *PAW Patrol*, in addition to *Gabby's Dollhouse* and *Present Pets*, offset in part by declines in *Twisty Petz* and *Candylocks*.

Gross Product Sales<sup>1</sup> in Activities, Games & Puzzles and Plush increased by US\$5.6 million or 3.1% to US\$185.5 million, primarily driven by sales of *Rubik's*<sup>4</sup> and increases in *GUND* and *Orbeez*, offset in part by declines in the Games & Puzzles portfolio.

Gross Product Sales<sup>1</sup> in Boys increased by US\$30.9 million or 26.9% to US\$145.7 million, primarily driven by *Bakugan*, *Monster Jam RC* and *Tech Deck*, partially offset by declines in *DreamWorks Dragons*.

Gross Product Sales<sup>1</sup> in Outdoor increased by US\$12.5 million or 19.8% to US\$75.7 million, primarily driven by *SwimWays*.

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<sup>1</sup> See "Non-IFRS Financial Measures".

<sup>2</sup> SG&A expenses include selling, marketing, distribution, product development and administrative expenses.

## **Outlook**

Spin Master continues to focus on driving long-term growth. Its principle strategies are to:

- Innovate using our global internal and external research and development network;
- Increase international sales in developed and emerging markets;
- Develop evergreen global entertainment franchises;
- Establish a leading position in digital games; and
- Leverage the Company's global platform through strategic acquisitions.

The Company continues to expect 2021 Gross Product Sales to increase high single digits compared to 2020, consistent with prior guidance on May 5, 2021. The Company now expects 2021 total revenue to increase mid-teens compared to 2020, as compared to low double digits previously announced on May 5, 2021. The Company continues to expect 2021 Adjusted EBITDA Margin to be at the high end of the mid to high teens range, consistent with prior guidance on May 5, 2021.

## **Conference call**

Max Rangel, Global President and Chief Executive Officer and Mark Segal, Chief Financial Officer will host a conference call to discuss these results on Thursday, August 5, 2021 at 9:30 a.m. (ET).

The call-in numbers for participants are (647) 427-7450 or (888) 231-8191. A live webcast of the call will be accessible via Spin Master's website at: <http://www.spinmaster.com/events.php>. Following the call, both an audio recording and transcript of the call will be archived on the same website page.

## **About Spin Master**

Spin Master Corp. (TSX:TOY) is a leading global children's entertainment company creating exceptional play experiences through a diverse portfolio of innovative toys, entertainment franchises and digital games. Spin Master is best known for award-winning brands *PAW Patrol*®, *Bakugan*®, *Kinetic Sand*®, *Air Hogs*®, *Hatchimals*®, *Rubik's Cube*® and *GUND*®, and is the toy licensee for other popular properties. Spin Master Entertainment creates and produces compelling multiplatform content, stories and endearing characters through its in-house studio and partnerships with outside creators, including the preschool success *PAW Patrol* and nine other original shows along with multiple short-form series, which are distributed in more than 190 countries. The Company has an established digital presence anchored by the *Toca Boca*® and *Sago Mini*® brands, which combined have more than 50 million monthly active users. With close to 2,000 employees in 28 offices globally, Spin Master distributes products in more than 100 countries. For more information visit [spinmaster.com](http://spinmaster.com) or follow on Instagram, Facebook and Twitter @spinmaster.

## **Non-IFRS Financial Measures**

In addition to using financial measures prescribed under IFRS, references are made in this Press Release to "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA Margin", "Adjusted Net Income", "Free Cash Flow", "Gross Product Sales", "Constant Currency", "Sales Allowances" and "Net Sales" which are non-IFRS financial measures. Non-IFRS financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

EBITDA is calculated as net earnings (loss) before finance costs, income tax expense (recovery) and depreciation and amortization.

Adjusted EBITDA is calculated as EBITDA excluding adjustments that do not necessarily reflect the Company's underlying financial performance. These adjustments include restructuring expenses, foreign exchange gains or losses, equity-settled share based compensation expenses, acquisition related incentive compensation, impairment of intangible assets and unrealized gain on investment. Adjusted EBITDA is used by management as a measure of the Company's profitability.

Adjusted Net Income (Loss) is calculated as net income (loss) excluding adjustments, as defined above, in addition to a one-time tax recovery and the corresponding impact these items have on income tax expense (recovery). Management uses Adjusted Net Income (Loss) to measure the underlying financial performance of the business on a consistent basis over time.

Adjusted Basic EPS (Loss) is calculated by dividing Adjusted Net Income (Loss) by the weighted average number of shares outstanding during the period. Adjusted Diluted EPS (Loss) is calculated by dividing Adjusted Net Income (Loss) by the weighted average number of common shares outstanding, assuming the conversion of all dilutive securities were exercised during the period.

Constant Currency represents Revenue and Gross Product Sales results that are presented excluding the impact from changes in foreign currency exchange rates. The current period and prior period results for entities reporting in currencies other than the US dollar are translated using consistent exchange rates, rather than using the actual exchange rate in effect during the respective periods. The difference between the current period and prior period results using the consistent exchange rates reflects the changes in the underlying performance results, excluding the impact from fluctuations in foreign currency exchange rates.

Free Cash Flow is calculated as cash flows provided by/used in operating activities reduced by cash flows used in investing activities and adding back cash used in license, brand and business acquisitions. Management uses the Free Cash Flow metric to analyze the cash flow being generated by the

Company's business. Prior year comparative information has been updated to conform with the current disclosure.

Gross Product Sales represent sales of the Company's products to customers, excluding the impact of Sales Allowances. As Sales Allowances are generally not associated with individual products, the Company uses changes in Gross Product Sales to provide meaningful comparisons across product category and geographical segment results to highlight trends in Spin Master's business. For a reconciliation of Gross Product Sales to Revenue, please see the table "Q2 2020 Gross Product Sales by Product Category" in this Press Release.

Sales Allowances represent marketing and sales credits requested by customers relating to factors such as cooperative advertising, contractual discounts, negotiated discounts, customer audits, volume rebates, defective products and costs incurred by customers to sell the Company's products and are recorded as a reduction to Gross Product Sales. Management uses Sales Allowances to identify and compare the cost of doing business with individual retailers, different geographic markets and amongst various distribution channels.

Net Sales represents Gross Product Sales less Sales Allowances. Management uses Net Sales to evaluate the Company's total net revenue generating capacity compared to internal targets and as a measure of Company performance.

Management believes the non-IFRS measures defined above are important supplemental measures of operating performance and highlight trends in the core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management believes that these measures allow for assessment of the Company's operating performance and financial condition on a basis that is more consistent and comparable between reporting periods. The Company believes that lenders, securities analysts, investors and other interested parties frequently use these non-IFRS financial measures in the evaluation of issuers.

| (in US\$ millions, except percentages)                           | 2021        | Three Months Ended Jun 30 |             |                  |
|------------------------------------------------------------------|-------------|---------------------------|-------------|------------------|
|                                                                  |             | 2020                      | \$ Change   | % Change         |
| Reconciliation of Non-IFRS Financial Measures                    |             |                           |             |                  |
| <b>Net income (loss)</b>                                         | <b>33.5</b> | <b>(14.9)</b>             | <b>48.4</b> | <b>(324.8) %</b> |
| Income tax recovery                                              | 11.1        | 2.1                       | 9.0         | 428.6 %          |
| Finance costs                                                    | 2.3         | 3.3                       | (1.0)       | (30.3) %         |
| Depreciation and amortization expenses                           | 24.1        | 25.7                      | (1.6)       | (6.2) %          |
| <b>EBITDA<sup>1</sup></b>                                        | <b>71.0</b> | <b>16.2</b>               | <b>54.8</b> | <b>338.3 %</b>   |
| Adjustments:                                                     |             |                           |             |                  |
| Restructuring expense <sup>2</sup>                               | —           | (1.0)                     | 1.0         | (100.0) %        |
| Foreign exchange loss <sup>3</sup>                               | 4.9         | 3.5                       | 1.4         | n.m.             |
| Share based compensation <sup>4</sup>                            | 4.0         | 2.8                       | 1.2         | 42.9 %           |
| Acquisition related deferred incentive compensation <sup>5</sup> | 1.5         | —                         | 1.5         | n.m.             |
| Investment distribution income <sup>6</sup>                      | (0.4)       | —                         | (0.4)       | n.m.             |
| Impairment of intangible assets <sup>6</sup>                     | 0.5         | —                         | 0.5         | n.m.             |
| Transaction costs <sup>7</sup>                                   | 0.6         | —                         | 0.6         | n.m.             |
| Net unrealized gain on investment <sup>8</sup>                   | (0.3)       | —                         | (0.3)       | n.m.             |
| <b>Adjusted EBITDA<sup>1</sup></b>                               | <b>81.8</b> | <b>21.5</b>               | <b>60.3</b> | <b>280.5 %</b>   |
| Income tax recovery                                              | 11.1        | 2.1                       | 9.0         | 428.6 %          |
| Finance costs                                                    | 2.3         | 3.3                       | (1.0)       | (30.3) %         |
| Depreciation and amortization expenses                           | 24.1        | 25.7                      | (1.6)       | (6.2) %          |
| Tax effect of adjustments <sup>9</sup>                           | 2.7         | (0.1)                     | 2.8         | (2,800.0) %      |
| <b>Adjusted Net Income (Loss)<sup>1</sup></b>                    | <b>41.6</b> | <b>(9.5)</b>              | <b>51.1</b> | <b>(537.9) %</b> |
| Cash provided by operations                                      | 94.2        | 64.2                      | 30.0        | 46.7 %           |
| Cash used in investing activities                                | (46.9)      | (26.4)                    | (20.5)      | 77.7 %           |
| <b>Add:</b>                                                      |             |                           |             |                  |
| Cash used for license, brand and business acquisitions           | 21.7        | 2.4                       | 19.3        | 804.2 %          |
| <b>Free Cash Flow<sup>1</sup></b>                                | <b>69.0</b> | <b>40.2</b>               | <b>28.8</b> | <b>71.6 %</b>    |

1) See "Non-IFRS Financial Measures".

2) Restructuring expense primarily relates to personnel related costs. Restructuring expense in the prior year includes costs related to changes in senior leadership.

3) Includes foreign exchange losses generated by the translation of monetary assets/liabilities denominated in a currency other than the functional currency of the applicable entity and losses related to the Company's hedging programs.

4) Related to non-cash expenses associated with subordinate voting shares granted to equity participants at the time of the Company's initial public offering share option expense and long-term incentive plan.

5) Deferred incentive compensation associated with acquisitions.

6) Distribution income related to investment in limited partnership.

7) Impairment of intangible assets related to content development.

8) Non-recurring transaction costs relating to acquisitions.

9) Net unrealized gain related to investment in limited partnership.

10) Tax effect of adjustments (Footnotes 2-9). Adjustments are tax effected at the effective tax rate of the given period.

| (in US\$ millions, except percentages)        | 2021 | Six Months Ended Jun 30 |           |           |
|-----------------------------------------------|------|-------------------------|-----------|-----------|
|                                               |      | 2020                    | \$ Change | % Change  |
| Reconciliation of Non-IFRS Financial Measures |      |                         |           |           |
| Net income (loss)                             | 36.7 | (41.6)                  | 78.3      | (188.2) % |
| Income tax (recovery) expense                 | 12.1 | (46.1)                  | 58.2      | (126.2) % |
| Finance costs                                 | 4.8  | 6.1                     | (1.3)     | (21.3) %  |

|                                                                  |              |               |              |                    |
|------------------------------------------------------------------|--------------|---------------|--------------|--------------------|
| Depreciation and amortization expenses                           | 47.2         | 49.0          | (1.8)        | (3.7) %            |
| <b>EBITDA<sup>1</sup></b>                                        | <b>100.8</b> | <b>(32.6)</b> | <b>133.4</b> | <b>(409.2) %</b>   |
| Adjustments:                                                     |              |               |              |                    |
| Restructuring expense <sup>2</sup>                               | 0.7          | 3.4           | (2.7)        | (79.4) %           |
| Foreign exchange loss <sup>3</sup>                               | 8.6          | 12.0          | (3.4)        | (28.3) %           |
| Share based compensation <sup>4</sup>                            | 7.2          | 6.4           | 0.8          | 12.5 %             |
| Acquisition related contingent consideration <sup>5</sup>        | (0.7)        | —             | (0.7)        | n.m.               |
| Impairment of intangible assets <sup>6</sup>                     | 1.4          | —             | 1.4          | n.m.               |
| Net unrealized gain on investment <sup>7</sup>                   | (1.2)        | —             | (1.2)        | n.m.               |
| Transaction costs <sup>8</sup>                                   | 0.6          | —             | 0.6          | n.m.               |
| Acquisition related deferred incentive compensation <sup>9</sup> | 1.5          | —             | 1.5          | n.m.               |
| Investment distribution income <sup>10</sup>                     | (0.4)        | —             | (0.4)        | n.m.               |
| <b>Adjusted EBITDA<sup>1</sup></b>                               | <b>118.5</b> | <b>(10.8)</b> | <b>129.3</b> | <b>(1,197.2) %</b> |
| Income tax (recovery) expense                                    | 12.1         | (46.1)        | 58.2         | (126.2) %          |
| Finance costs                                                    | 4.8          | 6.1           | (1.3)        | (21.3) %           |
| Depreciation and amortization expenses                           | 47.2         | 49.0          | (1.8)        | (3.7) %            |
| One-time income tax recovery <sup>9</sup>                        | —            | 33.3          | (33.3)       | n.m.               |
| Tax effect of adjustments <sup>10</sup>                          | 4.4          | 3.2           | 1.2          | 37.5 %             |
| <b>Adjusted Net Income (Loss)<sup>1</sup></b>                    | <b>50.0</b>  | <b>(56.3)</b> | <b>106.3</b> | <b>(188.8) %</b>   |
| Cash provided by operating activities                            | 103.2        | 55.4          | 47.8         | 86.3 %             |
| Cash used in investing activities                                | (110.9)      | (45.4)        | (65.5)       | 144.3 %            |
| <b>Add:</b>                                                      |              |               |              |                    |
| Cash used for license, brand and business acquisitions           | 70.2         | 2.4           | 67.8         | 2,825.0 %          |
| <b>Free Cash Flow<sup>1</sup></b>                                | <b>62.5</b>  | <b>12.4</b>   | <b>50.1</b>  | <b>404.0 %</b>     |

1) See "Non-IFRS Financial Measures".

2) Restructuring expense primarily relates to personnel related costs. Restructuring expense in the prior year includes costs related to changes in senior leadership.

3) Includes foreign exchange losses generated by the translation of monetary assets/liabilities denominated in a currency other than the functional currency of the applicable entity and losses related to the Company's hedging programs.

4) Related to non-cash expenses associated with subordinate voting shares granted to equity participants at the time of the IPO, share option expense and LTIP.

5) Remuneration recovery associated with contingent consideration for previous acquisitions.

6) Impairment of intangible assets related to content development.

7) Net unrealized gain related to investment in limited partnership.

8) Non-recurring transaction costs relating to acquisitions.

9) Deferred incentive compensation associated with acquisitions.

10) Distribution income related to investment in limited partnership.

11) One-time income tax recovery related to internal transfer of intangible property of \$33.3 million.

12) Tax effect of adjustments (Footnotes 2-9). Adjustments are tax effected at the effective tax rate of the given period.

## Forward-Looking Statements

Certain statements, other than statements of historical fact, contained in this Press Release constitute "forward-looking information" within the meaning of certain securities laws, including the Securities Act (Ontario), and are based on expectations, estimates and projections as of the date on which the statements are made in this Press Release. The words "plans", "expects", "projected", "estimated", "forecasts", "anticipates", "indicative", "intend", "guidance", "outlook", "potential", "prospects", "seek", "strategy", "targets" or "believes", or variations of such words and phrases or statements that certain future conditions, actions, events or results "will", "may", "could", "would", "should", "might" or "can", or negative versions thereof, "be taken", "occur", "continue" or "be achieved", and other similar expressions, identify statements containing forward-looking information. Statements of forward-looking information in this Press Release include, without limitation, statements with respect to: the Company's outlook for 2021; future growth expectations in 2021 and beyond; drivers and trends for such growth and financial performance; the successful execution of its strategies for growth; content and product pipeline (including the release of PAW Patrol: The Movie in 2021); financial position, cash flows and financial performance; and the creation of long term shareholder value.

Forward-looking statements are necessarily based upon management's perceptions of historical trends, current conditions and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by management as of the date on which the statements are made in this Press Release, are inherently subject to significant business, economic and competitive uncertainties and contingencies which could result in the forward-looking statements ultimately being incorrect. In addition to any factors and assumptions set forth above in this Press Release, the material factors and assumptions used to develop the forward-looking information include, but are not limited to: ability of factories to manufacture products, including labour size and allocation, tooling, raw material and component availability, ability to shift between product mix, and customer acceptance of delayed delivery dates; that the program designed to gain operational efficiencies will achieve the desired results; that the steps taken will create long term shareholder value; the expanded use of advanced technology, robotics and innovation the Company applies to its products will have a level of success consistent with its past experiences; the Company will continue to successfully secure broader licenses from third parties for major entertainment properties consistent with past practices; the expansion of sales and marketing offices in new markets will increase the sales of products in that territory; the Company will be able to successfully identify and integrate strategic acquisition opportunities; the Company will be able to maintain its distribution capabilities; the Company will be able to leverage its global platform to grow sales from acquired brands; the Company will be able to recognize and capitalize on opportunities earlier than its competitors; the Company will be able to continue to build and maintain strong, collaborative relationships; the Company will maintain its status as a preferred collaborator; the culture and business structure of the Company will support its growth; the current business strategies of the Company will continue to be desirable on an international platform; the Company will be able to expand its portfolio of owned branded intellectual property and successfully license it to third parties; use of advanced technology and robotics in the Company's products will expand; access of entertainment content on mobile platforms will expand; fragmentation of the market will continue to create acquisition opportunities; the Company will be able to maintain its relationships with its employees, suppliers and retailers; the Company will continue to attract qualified personnel to support its development requirements; and the Company's key personnel will continue to be involved in the Company products and entertainment

properties will be launched as scheduled and that the risk factors noted in this Press Release, collectively, do not have a material impact on the Company.

By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. Known and unknown risk factors, many of which are beyond the control of the Company, could cause actual results to differ materially from the forward-looking information in this Press Release. Such risks and uncertainties include, without limitation, the magnitude and length of economic disruption as a result of the COVID-19 pandemic; and the factors discussed in the Company's disclosure materials, including the Annual MD&A and the Company's most recent Annual Information Form, filed with the securities regulatory authorities in Canada and available under the Company's profile on SEDAR ([www.sedar.com](http://www.sedar.com)). These risk factors are not intended to represent a complete list of the factors that could affect the Company and investors are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

#### **Addendum**

Effective January 1, 2021, Spin Master has simplified its product categories to align with the Company's product offerings going forward. The following table presents 2020 Gross Product Sales<sup>1</sup> in the same format that the Company will be presenting Gross Product Sales<sup>2</sup> in 2021:

| <b>Gross Product Sales<sup>1</sup> by Product Category</b> |                |                |                |                |                |
|------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
|                                                            |                |                |                |                |                |
| <b>(US\$ millions)</b>                                     | <b>Q1 2020</b> | <b>Q2 2020</b> | <b>Q3 2020</b> | <b>Q4 2020</b> | <b>Total</b>   |
| Pre-School and Girls                                       | 73.1           | 93.5           | 242.7          | 200.2          | <b>609.5</b>   |
| Activities, Games & Puzzles and Plush                      | 80.1           | 99.8           | 181.0          | 173.9          | <b>534.8</b>   |
| Boys                                                       | 60.7           | 54.1           | 151.4          | 122.1          | <b>388.3</b>   |
| Outdoor                                                    | 28.4           | 34.8           | 12.3           | 15.6           | <b>91.1</b>    |
| <b>Gross Product Sales<sup>1</sup></b>                     | <b>242.3</b>   | <b>282.2</b>   | <b>587.4</b>   | <b>511.8</b>   | <b>1,623.7</b> |

SOURCE Spin Master Corp.

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<https://spinmaster.mediaroom.com/2021-08-04-Spin-Master-Reports-Q2-2021-Financial-Results>